

STATEMENT OF BASIS
NCX Company, L.L.C.
State Lease 19457 Well No. 001
LPDES Permit No. LA0124168
AI No. 156162

For the Issuance of an LPDES Water Discharge Permit in the Offshore Subcategory of the Oil and Gas Extraction Point Source Category.

THE PERMITTEES ARE: NCX Company, L.L.C. -- State Lease 19457 Well No. 001 involved with the exploration, development, and production of oil and gas within territorial seas locations of the State of Louisiana.

ISSUING OFFICE: Louisiana Department of Environmental Quality (LDEQ)
Office of Environmental Services
Post Office Box 4313
Baton Rouge, Louisiana 70821-4313

PREPARED BY: Laketha Ferguson

DATE PREPARED: July 8, 2008

1. PERMIT STATUS

- A. Reason For Permit Action:
First time issuance of a Louisiana Pollutant Discharge Elimination System (LPDES) permit for a 5-year term.
- B. LPDES permit: N/A
EPA has not retained enforcement authority.
- C. Date Application Received: February 15, 2008

2. FACILITY INFORMATION

- A. FACILITY TYPE/ACTIVITY - Oil and Gas Exploration, Development, and Production Operations

NCX Company, L.L.C. – State Lease 19457 Well No. 001 is an oil and gas exploration, development, and production facility.
- B. FEE RATE
 - 1. Fee Rating Facility Type: minor
 - 2. Complexity Type: III, BPJ from 20 points to 10 points to be closer to the fee for coverage under the general permit, LAG260000
 - 3. Wastewater Type: III
 - 4. SIC Code: 1311
- C. LOCATIONS – State Lease 19457 Well No. 001, located in Chanderleur Sound Addition Block 34, St. Bernard Parish.

Latitude: 30° 02'05" Longitude: 88° 49'44"

NCX Company, L.L.C.
Draft Permit No. LA0124168
AI No. 156162
Page 2 of 4

3. OUTFALL INFORMATION

See Appendix A.

4. RECEIVING WATER

Stream – Gulf of Mexico

Basin and Segment – Lake Pontchartrain, 042209

Designated Uses -

- a. primary contact recreation
- b. secondary contact recreation
- c. fish and wildlife propagation
- e. oyster propagation

5. PROPOSED EFFLUENT LIMITS

See Appendix A.

6. COMPLIANCE HISTORY/COMMENTS

A file review disclosed that no actions have been issued to NCX Company, L.L.C. – State Lease 19457 Well No. 001.

7. 303(d)/TMDL WATERBODIES

NCX Company, LLC proposes to discharge wastewaters to Subsegment 042209. Subsegment 042209 is listed on LDEQ's 2006 303(d) List as impaired for mercury, total fecal coliform, and dissolved oxygen. To date, no TMDLs have been completed. TMDLs are scheduled for completion by March 31, 2011, with an EPA backstop date of March 31, 2012.

Fecal Coliform

This Office has established fecal coliform limitations and Total Residual Chlorine sanitary wastewater discharges from the facility. This Office does not anticipate the discharge of pathogen indicators from any other outfall at levels that would cause further impairment of the receiving waterbody.

Dissolved Oxygen

The facility proposes to discharge into the Gulf of Mexico. Due to the diminimus nature of the discharge, this Office does not anticipate the discharge of dissolved oxygen from any outfall at levels that would cause further impairment of the receiving waterbody.

Mercury

All currently effective Louisiana Mercury TMDL's state that while there are many potential sources of mercury to waters of the state of Louisiana, over 99% of the pollutant load comes from the atmospheric deposition of mercury from global and local sources. There is no current data available that indicates mercury would be expected in discharges from oil and gas operations. It is noted that spent drilling muds from oil and gas wells do possess the reasonable potential to contain mercury which would result in the

NCX Company, L.L.C.
Draft Permit No. LA0124168
AI No. 156162
Page 3 of 4

introduction of mercury to the environment. However, LDEQ has prohibited the discharge of spent drilling muds into waters of the state of Louisiana. Because LDEQ has taken steps to prevent the discharge of mercury at levels at or above water quality standards from oil and gas facilities and given that current Louisiana Mercury TMDLs do not indicate mercury is discharged from the operation of oil and gas facilities, mercury requirements will not be placed in this permit.

A reopener clause will be included in the permit to allow for the establishment of more stringent effluent limitations and requirements as imposed by any future TMDLs.

8. ENDANGERED SPECIES

The receiving waterbody, Subsegment 042209 of the Lake Pontchartrain Basin is not listed in Section II.2 of the Implementation Strategy as requiring consultation with the U.S. Fish and Wildlife Service (FWS). This strategy was submitted with a letter dated October 24, 2007 from Boggs (FWS) to Brown (LDEQ). Therefore, in accordance with the Memorandum of Understanding between the LDEQ and the FWS, no further informal (Section 7, Endangered Species Act) consultation is required. The effluent limitations established in the permit ensure protection of aquatic life and maintenance of the receiving water as aquatic habitat. Therefore, the issuance of the LPDES permit is not likely to have an adverse effect on any endangered or candidate species or the critical habitat.

9. HISTORIC SITES

The LDEQ shall notify the LSHPO of the receipt of individual permit applications for proposed facilities when associated oil or gas related activities are to be planned on inland wetlands areas.

10. TENTATIVE DETERMINATION

On the basis of preliminary staff review, the Department of Environmental Quality has made a tentative determination to issue a permit for discharges described in the proposed effluent attachment.

11. PUBLIC NOTICES

Upon publication of the public notice, a public comment period shall begin on the date of publication and last for at least 30 days thereafter. During this period, any interested persons may submit written comments on the proposed issuance of LPDES individual permits and may request a public hearing to clarify issues involved. This Office's address is on the first page of the statement of basis. A request for a public hearing shall be in writing and shall state the nature of the issues proposed to be raised in the hearing.

Public notice published in:

The local newspaper of general circulation and

The Office of Environmental Services Public Notice Mailing List.

NCX Company, L.L.C.
Draft Permit No. LA0124168
AI No. 156162
Page 4 of 4

Rationale for NCX Company, L.L.C., State Lease 19457 Well No. 001

Outfall locations will vary from site to site. See Appendix A for pollutant type, limitations and monitoring frequencies.

Limits Justification and References

Limits are based upon 40 CFR 435 Subpart A - Offshore Subcategory, Final NPDES General Permit for the Territorial Waters of Louisiana (LAG260000), Louisiana Water Discharge Permit System individual permits, and Best Professional Judgment.

Storm Water Pollution Prevention Plan (SWP3) Requirement

In accordance with LAC 33:IX.2511.C.1.c, the operator must prepare and implement a Storm Water Pollution Prevention Plan (SWPPP) if there has been a release of reportable quantity of oil or hazardous substance in stormwater at the facility since November 16, 1987. A Reportable Quantity spill of oil is defined at 40 CFR 110.3 as discharges of oil that "Cause a film or sheen upon or discoloration of the surface of the water." A reportable quantity of a hazardous substance is defined at 40 CFR 117.21 and 40 CFR 302.6 as any person in charge of a vessel or an onshore or an offshore facility shall, as soon as he has knowledge of any discharge of a designated hazardous substance from such vessel or facility in quantities equal to or exceeding in any 24-hour period the reportable quantity determined by this part, immediately notify the appropriate agency.

The SWP3 shall be prepared, implemented, and maintained within 60 calendar days of the effective date of this permit if a discharge of a reportable quantity of oil or a hazardous substance has occurred on or before this date, or within 60 calendar days after the first knowledge of a discharge of a reportable quantity of oil or a hazardous substance. The plan should identify potential sources of storm water pollution and ensure the implementation of practices to prevent and reduce pollutants in storm water discharges associated with industrial activity at the facility (see STORMWATER DISCHARGES in Part II of the Draft Permit).